

Message Text

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12

ACTION EUR-25

INFO OCT-01 AF-10 ISO-00 AGR-20 EB-11 SS-15 NSC-10 CIEP-02

STR-08 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00

PA-03 RSC-01 PRS-01 SPC-03 USIA-15 ACDA-19 IO-13

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R 260728Z SEP 73

FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC 0235

INFO USDOC WASHDC

DEPT TREASURY

WHITE HOUSE

AMEMBASSY MOSCOW

AMEMBASSY NAIROBI

AMEMBASSY VIENNA

AMEMBASSY WARSAW

C O N F I D E N T I A L BUDAPEST 3263

DEPARTMENT PLEASE PASS DEPARTMENT OF AGRICULTURE AND NATIONAL
SECURITY COUNCIL.

E.O. 11652: GDS

TAGS: OVIP, HU

SUBJECT: SECRETARY OF COMMERCE VISIT TO HUNGARY

WHITE HOUSE FOR SPECIAL ASSISTANT TO PRESIDENT FOR
TRADE NEGOTIATIONS AND FOR COUNCIL ON INTERNATIONAL
ECONOMIC POLICY

NAIROBI FOR SECRETARY SCHULTZ

1. SUMMARY. IN TWO-DAY VISIT, SEPT 23-25 TO HUNGARY,
SECRETARY FREDERICK B. DENT MET WITH DEPUTY PREMIER
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TIMAR, FOREIGN TRADE MINISTER BIRO, AND OTHER OFFICIALS

TO DISCUSS HUNGARIAN-US COMMERCIAL RELATIONS. TALKS COVERED POSSIBLE GRANTING OF MFN STATUS TO HUNGARY, ITS ACCESSION TO GATT, AND FACILITATION OF BUSINESS ACTIVITY BY US FIRMS IN HUNGARY. HUNGARIAN OFFICIALS REVIEWED FOR SECRETARY DENT PRESENT AND PLANNED DEVELOPMENT OF THE HUNGARIAN ECONOMY AND INDICATED THEIR DESIRE FOR JOINT VENTURES IN CERTAIN AREAS. SECRETARY AND PARTY WERE CORDIALLY RECEIVED THROUGHOUT VERY SUCCESSFUL VISIT. END SUMMARY.

2. DENT PARTY ARRIVED MIDDAY SUNDAY SEPT 23. HIGH RANKING RECEPTION PARTY, CROWD AT AIRPORT, FULL MOTORCADE AND TOP PROTOCOL RECEPTION AT HOTEL INDICATED IMPORTANCE PLACED ON VISIT BY HUNGARIANS. OFFICIAL DINNER HOSTED THAT EVENING BY DEPUTY PREMIER TIMAR IN HOUSE OF PARLIAMENT RECEPTION ROOMS USUALLY USED ONLY FOR MOST SIGNIFICANT OCCASIONS.

3. TRAGIC DEATH OF DEPUTY PREMIER VALYI NECESSARILY CREATED SOMBER ATMOSPHERE, BUT SECRETARY DENT'S OBVIOUS PERSONAL CONCERN AND SINCERE EXPRESSIONS OF TRIBUTE AND SYMPATHY MADE STRONG POSITIVE IMPRESSION ON HOSTS AND DID MUCH TO BRIDGE A DIFFICULT SITUATION. SECRETARY DENT ATTENDED VALYI FUNERAL ON MONDAY.

4. MEETINGS WERE HELD WITH DEPUTY PREMIER AND CHAIRMAN OF STATE PLANNING COMMITTEE LAZAR, DEPUTY PREMIER TIMAR, AND MINISTER OF FOREIGN TRADE BIRO. TIMAR MEETING DEVOTED PRIMARILY TO DISCUSSION OF HUNGARIAN ECONOMIC PLANS AND PROSPECTS FOR INDUSTRIAL DEVELOPMENT AND JOINT VENTURES.

5. BIRO TOOK A RATHER FLAT POSITION THAT THE GOVERNMENT OF HUNGARY INSISTED ON A MOST-FAVORED-NATION TARIFF CLAUSE AS PROVIDED BY THE RULES OF THE GATT, AND NOT AS A CONSEQUENCE OF A BILATERAL TRADE AGREEMENT. THE US SIDE OBSERVED THAT THE PRESIDENT HAD NO AUTHORITY TO EXTEND MFN AND THAT TITLE FIVE OF THE TRADE BILL WHICH WAS DESIGNED TO PROVIDE SUCH AUTHORITY WAS PRESENTLY UNDER INTENSE DISCUSSION. BIRO SAID THAT HE KNEW ALL THIS BUT SAID GOH REQUIRED THAT THE US REMOVE ITS ARTICLE 35 OBJECTIONS. HR SAID REPEATEDLY
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QUOTE THE BALL IS NOW IN YOUR COURT UNQUOTE. COMMENT: THIS MAY BE TACTICAL JOCKEYING, UNTIL HOUSE WAYS AND MEANS COMMITTEE ACTS AND EXTENT OF PRESIDENTIAL DISCRETION AND AUTHORITY BECOMES MANIFEST. BIRO AT LEAST TWICE DREW A COMPARISON BETWEEN THE DISCUSSIONS AND A CHESS GAME. IN ADDITION, IT SHOULD BE NOTED THAT TIMAR MENTIONED CONTINUING INTEREST OF GOH IN BILATERAL TRADE AGREEMENT.

6. BIRO TENDED TO FEND OFF DETAILED QUESTIONS ON BUSINESS FACILITATION BY PROMISING TO PROVIDE FULL DATA TO SECRETARY DENT. HE DID INDICATE THAT THERE WOULD BE NO PROBLEM FOR US BUSINESSMEN WISHING TO REMAIN FOR LENGTHY PERIODS IN BUDAPEST. HE WAS VAGUE, HOWEVER, WHEN PRESSED ON SUBJECTS SUCH AS ACCREDITATION, DIRECT CONTACT, PERMANENT OFFICES, ETC.

7. SECRETARY DENT AND SEVERAL MEMBERS OF PARTY VISITED TUNGSRAM LIGHT BULB AND VACUUM TUBE FACTORY. VISIT SEEMED DESIGNED TO UNDERScore HUNGARIAN CAPABILITY AND DESIRE TO EXPORT TO THE US.

8. SEPARATE CABLES DISCUSS SIDE CONVERSATIONS BETWEEN DENT AND DEPUTY FOREIGN MINISTER NAGY ON HUNGARIAN BEHAVIOR IN ICCS AND MOVEMENT TOWARD CULTURAL AGREEMENT.

9. BIRO FRANKNESS SHOULD NOT BE CONSTRUED AS COOLING OF HUNGARIAN ARDOR TO IMPROVE BILATERAL COMMERCIAL RELATIONS. HUNGARIANS APPARENTLY GOING THROUGH SERIOUS INTROSPECTION REGARDING ECONOMIC POLICY, DEBATING RELATIVE MERITS OF ACCELERATING GROWTH RATE VERSUS ACHIEVING SLOWER BUT MORE BALANCED ECONOMIC PROGRESS. THEY ARE QUITE PROUD OF NEW ECONOMIC MECHANISM POLICY AND SEEM TO BE MORE AND MORE DEVOTED TO USE OF INCENTIVES RATHER THAN A HIGHLY CENTRALIZED ADMINISTRATIVE PRICING AND PRODUCTION CONTROL SYSTEM. THEY CLAIM POLES AND CZECHS ARE STUDYING THEIR MODEL QUITE SERIOUSLY. ACCESSION TO GATT AND MOVE TOWARD GREATER DEGREE OF MULTILATERALISM IN COMMERCIAL AFFAIRS APPARENTLY CONSISTENT WITH NEM. IT WOULD SEEM TO BE IN THE US INTEREST TO ENCOURAGE THESE DEVELOPMENTS.

10. ALL IN ALL, VISIT VERY MUCH A NET PLUS. SECRETARY AND MRS. DENT BOTH MADE BIT HIT, DISPLAYING GREAT INTEREST AND CONFIDENTIAL

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PLEASURE IN BEAUTY OF BUDAPEST, HUNGARIAN CULTURE AND PEOPLE. IMPLICATIONS OF DEATH OF VALYI EXTREMELY WELL HANDLED WITH SINCERITY, DELICACY AND TACT. SUBSTANTIVE MATTERS BROUGHT FORWARD AS FAR AS PRACTICABLE AT THIS TIME. PEDERSEN

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